



## Teachers' Retirement System Summary of Legislative Concepts for 2019 Legislative Session

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Housekeeping Bill – The TRS housekeeping is summarized as follows:

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### **Dormant Member Status and Withdrawals**

#### Dormant Member Status

1. Clarify that a vested or non-vested member can become an inactive member of the system.
2. Provide a time frame for moving an inactive non-vested member to dormant status.
3. Provide criteria and time frame for moving an inactive vested member to dormant status if they fail to make claim to account within 12 months of Required Minimum Distribution Beginning Date.
4. Provide notice that once a member has been moved to dormant status, the system will no longer attempt to locate them.
5. Provide a means for a dormant member to once again become an active member or withdraw their funds from the system.
6. Cleanup the termination of membership language.
7. Clarify forfeiture of unclaimed accounts provision, and remove reference to dormant accounts which is now addressed in membership status section.

#### Withdrawals:

1. Provide a minimum 90-day waiting period to process a withdrawal application. This is a change from current practice where if a member waives the mandatory 30-day waiting period their withdrawal is processed within a matter of weeks. The proposed minimum 90-day waiting period is a “best practice” for security reasons as well as practical reasons. The 90-day waiting period will ensure that a member has actually terminated employment and is not going right back to work for the same employer; additionally, it provides enough time for final contributions to be remitted to TRS and it gives the member time to coordinate rollover paperwork if necessary.
2. Add language in the withdrawal statutes that if a Tier One member withdraws and comes back to work in a TRS reportable position, they return to membership as a Tier Two member, even if they redeposit the withdrawn Tier One service. This is current law but it is located in 19-20-101(28) which is the “Definitions” section (definition of Tier Two Member) of our code.
3. Clarify that the withdrawing member is responsible for designating a retirement plan or retirement account receiving a direct rollover from TRS is eligible to receive a direct rollover distribution of tax-deferred or after-tax contributions as appropriate and to obtain confirmation from the receiving plan.

## **Beneficiary Designations and Payments to Beneficiaries**

1. The designation of beneficiary statutes are clarified and removed from part 7 (Benefits in General) and added to part 10 (Death Benefits).
2. New Sections include:
  - a. When designation of beneficiary required, allowed or prohibited.
  - b. Eligible beneficiaries – limitations on benefits payable to estate and trust beneficiaries.
  - c. When a beneficiary designation is effective.
  - d. Changing beneficiaries – limitations on reducing or revoking the interest of a spouse-beneficiary.
  - e. Limitations on timing of payment to a minor child beneficiary – opportunity for designator to name a custodian under Montana Uniform Transfers to Minors Act.
3. Default beneficiaries when no beneficiary designated by member/benefit recipient are clarified and now generally called “Alternate beneficiaries” (include estate and individuals previously called “next of kin”) and utilized throughout the section when no designated beneficiary exists. (The same hierarchy is currently in 19-20-717 which is currently titled “Effect of no designation or no surviving beneficiary or joint annuitant”).
4. When and how payments are made to beneficiaries/alternate beneficiaries upon death of an active member or retiree are clarified in 19-20-1001 and 19-20-1002.
5. Clarify that designation of and payments to beneficiaries are determined by application of TRS law and are not subject to any “beneficiary law,” including provisions contained in Title 72 of the MCA.

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## **University Supplemental Contribution Rate Increase**

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When the Optional Retirement Plan was created in 1987 for university system TRS-eligible members, section 19-20-621, MCA, required each employer within the university system with employees participating in the optional retirement program to contribute to TRS a supplemental employer contribution sufficient to amortize, by July 1, 2033, the past service liability of the MUS employees remaining in the Teachers’ Retirement system. The supplemental contribution was based on the covered payroll of the ORP participants. The law also requires that the supplemental rate be periodically reviewed and updated. Based on the 2016 valuation of the university supplemental rate, the current rate needs to be increase from 4.72% to 10.22%; however, the actual rate required will not be known until after the July 1, 2018 valuation has been completed.